



## **A Contractor's Introduction to the Federal Acquisition System**

Andrew J. Sullivan

12 August 2005

University of Maryland  
Department of Civil and Environmental Engineering  
Project Management

Advisor:  
Professor Neil Schulman

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

**20061127110**

## Table of Contents

Executive Summary .....	3
Introduction.....	4
1. Benefits of Government Contracting.....	6
2. Disadvantages of Government Contracting.....	8
3. Finding a Market .....	10
4. Obtaining a Government Contract.....	12
5. Bonds and Insurances .....	18
6. Labor laws.....	21
7. Contracting Methods .....	23
8. Socioeconomic Programs.....	27
Conclusion.....	32
Appendix A – FedBizOpps Solicitation Example.....	34
Appendix B – Wage Rates and Fringes Table.....	36
Appendix C – Small Business Size Standards .....	37
References .....	38

## **Executive Summary**

In general, the intent of Government contracting is to provide an equal opportunity for anyone to get Federal work. The process of selection is not restricted. This is “fair” to all, and promotes the free market system.

Contracting between public and private entities, especially with the Federal Government, varies significantly from contracting between private parties. Actions that are legitimate in private contracting are not allowed in the public sector. The primary reason for this is the protection of the public good. In public contracting the government is spending the taxpayer’s money and there is a responsibility to spend that money wisely, and in ways to benefit the public or nation as a whole. Understanding the general intent of Congress in establishing these policies is important to dealing with Federal acquisition regulations. Without some basic background it is sometimes difficult to understand why certain policies exist. The basic policies provide a context within which various regulations are written.

This research paper serves as a starting point for those contractors interested in obtaining Government contracts. Although it is not all inclusive, it introduces contractors to the advantages and disadvantages of Government contracting, as well as convey steps necessary to ready their organizations to work with the Federal Government.

## Introduction

The Federal Government provides numerous business opportunities that would allow a contractor to flourish and prosper. However, knowing how to get started and position themselves to obtain a Government contract can be daunting for a contractor. This research paper serves as an introduction to the Federal acquisition system for businesses looking to enter the Government contracting arena.

There are numerous benefits to working for the Government, least of which are the number and amount of contracts awarded annually. As with all markets, there are some disadvantages to Government work as well. The sheer bureaucratic nature of the Government causes processes to bog down, resulting in lengthy decision lead times. Once a contractor decides to pursue work from the Government, there is a process to follow that will place them in a position to succeed. First, a contractor should find a market niche that has opportunities to excel and is not already saturated with service providers. Then they need to register with the Government to advertise their product and availability. Being proactive and knowing where to search for solicitation opportunities are key as well. Finally, when submitting an offer on a solicitation, it is paramount that the contractor ensures that he is responsive and responsible.

Besides the “how to” process, a contractor should be aware of other important programs, policies, and methods that will impact their goal of obtaining a Government contract. There are certain bonds and insurances that are required to be carried by a

contractor for certain types of contract work. Also, there are labor laws and policies that contractors must adhere to when working for the Government. The type of service a contractor provides and the contract amount will determine the contracting method and contract type used. Finally, there are some programs available to assist certain classifications of businesses in obtaining Government contracts. These business classifications small businesses, women-owned businesses, small disadvantaged businesses, firms located in HUB Zones, and service disabled veteran-owned businesses.

The one document that is vital to a contractor is the Federal Acquisition Regulation (FAR). The Federal Acquisition Regulations System was established to publish a set of uniform policies and procedures for acquisition by all government agencies. The Federal Acquisition Regulations System consists of the Federal Acquisition Regulation (FAR), which is the primary regulatory document, and agency acquisition regulations that implement or supplement the FAR. The vision for the Federal Acquisition System is to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives. By referencing this research paper and the FAR, a contractor will be well on his way to securing a Government contract.

## **1. Benefits of Government Contracting**

There are a number of advantages to performing work for the Federal Government. First, the Government is a large organization with a large budget earmarked for contract work. With over \$600 billion in contracts signed every year, there are plenty of opportunities for contractors to obtain work.

Along with this large budget come knowledgeable personnel within the Government to manage the entire contracting process. The Department of the Navy assigns a Resident Officer in Charge of Construction (ROICC) to each installation to manage the process. The expertise present in the ROICC office is such that a scope of work is well developed so that newly established contractors are able to bid on a project with few questions.

Another benefit of working with the Government is that they will never go out of business. No matter how much the Federal budget is reduced, a contractor that has been awarded a contract will be paid. This is due to the cardinal rule in Government contracting – a contract will not be awarded without having the funds available and earmarked to pay the entire amount of that contract.

The Federal Government is frequently a repeat customer. If a contractor has performed well on a contract, that organization will be remembered and rewarded by the Federal acquisition organizations. The Government is quick to award future contracts to those contractors with high standards of performance.

Finally, there is a sense of patriotism when working with the Government, particularly with the Department of Defense. No matter how small the dollar amount, each contract supports the service members of the Armed Forces in some fashion. This can be a great source of motivation for a contractor's workforce, resulting in excellent contract performance and ultimately can lead to future work.

## **2. Disadvantages of Government Contracting**

There are disadvantages to Government contracting as well. Not only are the ROICC offices assets and added value to a contractor, but also they can be detractors at the same time. As discussed in the previous chapter, the ROICC is the military installation's contract administrator. They are responsible for the process and sequence of events leading up to contract award. Once the contract has been awarded, the ROICC office is also responsible for managing the contract execution in an owner's representative role. For the contractor, this means that the ROICC is intimately aware of the details contained in the contract documents and can be quick to point out discrepancies with what is actually being executed.

Part of being the owner's representative for the Navy, the ROICC is required to perform quality assurance evaluations throughout the project. Quality Assurance Evaluators (QAEs) are assigned to each contract to ensure that the product or service being provided is up to quality standards prescribed by the Navy. Prior to contract execution, the contractor is required to submit a quality control plan detailing the duration and frequency of his quality control inspections. The QAEs approve the plan and ensure that it is adhered to throughout the lifetime of the contract. If both the contractor and the Government do not embrace this entire process, it can result in a strained relationship between the two parties.

Contractors must remain cognizant of the fact that the Federal Government is a bureaucratic system; many of the processes involved with contract administration are not very timely. The Government has established timeframes for the different processes, such as an invoice will be certified at the local level and forwarded to central accounting for payment within six days. Central accounting has an additional ten days to make payment. Payment for that invoice is then mailed out to the contractor (unless direct deposit has been established), which can add another five days for actual delivery. Ideally, this whole process takes 21 days to complete. If there is a delay or discrepancy at any one of the steps, then the timeline will be extended. This holds true for other processes as well, to include submittal approvals and contract modifications. Although timely, the contractor must realize that they will be paid or receive an approved submittal eventually. This can be assured due to one of the above-mentioned benefits of Government contracting, the Government will never go out of business.

### **3. Finding a Market**

A market in its entirety is too broad in scope such that only the largest companies can tackle it successfully. The best strategy for a smaller business is to divide demand into manageable sections and identify a market niche. Small operations can then offer specialized products that are attractive to a specific group within the Federal Government.

It is important to study the market carefully to find opportunities. As an example, surgical instruments used to be sold in bulk to both small medical practices and large hospitals. One supplier realized that the smaller practices could not afford to sterilize instruments after each use like hospitals did. Instead, the smaller practices disposed of them. The supplier talked to surgeons and hospital workers to learn what would be more suitable for them. Based on this information, the company developed disposable instruments that could be sold in larger quantities at a lower cost. Another supplier capitalized on the fact that hospital operating rooms must carefully count the instruments used before and after surgery. This company met that particular need by packaging their instruments in pre-counted, customized sets for different forms of surgery.

While contractors research their niches, they should consider the results of market surveys and the areas in which competitors are already firmly situated. It might be beneficial to find the right configuration of products, services, quality, and price that will ensure the least direct competition. Unfortunately, there is no universally effective way to develop this configuration. The desired attributes will vary from industry to industry.

There is also an imaginative element that cannot be formalized. For example, only the company that already thought of developing pre-packaged surgical instruments could use a survey to determine whether or not a market actually existed for them.

#### **4. Obtaining a Government Contract**

Once a contractor has found his niche, it is important for the company to register with the Federal Government. A primary source for Federal agencies to learn about prospective vendors is a Government-maintained database (CCR/PRO-Net) of companies wanting to do business with the Government. This database is a marketing tool for businesses, as well as a searchable list of prospective vendors for the Government. The database provides agencies with the ability to search for companies based on their abilities, size, location, experience, ownership, etc.

The CCR, developed by the Department of Defense, and PRO-Net, developed as a database of small businesses by the Small Business Administration (SBA), have recently merged to provide a single searchable database for agencies and vendors. The CCR contains a PRO-Net supplement that collects and maintains specific information about and pertaining to small businesses.

The next step in obtaining a Government contract is knowing where to look for solicitations. Federal contract opportunities over \$25,000 are listed in a government maintained electronic database, Federal Business Opportunities (FedBizOpps). FedBizOpps.gov is a single government point-entry (GPE) for Federal Government procurement opportunities. Government acquisition professionals publicize solicitations by posting information directly to FedBizOpps via the Internet. Contractors seeking Federal markets for their products can search, monitor, and retrieve opportunities solicited by the entire Federal contracting community on this one website. For example, the fedbizopps.gov website yielded over 200 contracting opportunities for construction

services in the Washington, DC area. Appendix A shows an example of a solicitation through the Department of the Navy to construct a one-story, 5,420 square foot administrative building on Andrews Air Force Base, Maryland. The solicitation gives a brief description of the project, contract type, range of cost estimate, and points of contact.

General Services Administration's (GSA) Federal Supply Schedules, also known as Multiple Award Schedules (MAS), are contracts that allow acquisition professionals to acquire more than 4 million services and products directly from more than 8,600 commercial suppliers. GSA Schedules cover a vast array of commercial items--from office supplies and copier paper to systems furniture, from computers to laboratory equipment, and services ranging from accounting to graphic design to landscaping.

To become a GSA Schedule contractor, a company must first be awarded a contract. To obtain a GSA Schedule contract, the company must submit an offer in response to the applicable GSA Schedule solicitation. GSA awards contracts to responsible companies that offer commercial items falling within the generic descriptions in the GSA Schedules. Contracting Officers determine whether prices are fair and reasonable by comparing the prices/discounts that a company offers the government with the prices/discounts that the company offers to its commercial customers. This is commonly known as "most favored customer" pricing. To make the comparison, GSA requires companies to provide commercial pricelists and disclose information regarding their pricing/discounting practices.

Typically, contracts less than \$100,000 are set aside and reserved exclusively for small businesses. In these situations, the Government will use simplified acquisition procedures to procure services. The purpose of simplified acquisition procedures is to reduce administrative costs, improve opportunities for small business concerns, promote efficiency and economy in contracting, and avoid unnecessary burdens for Government agencies. Those contractors who qualify as a small business concern will be discussed further in a later chapter.

In addition, to GSA Schedules, the Government typically establishes Blanket Purchase Agreements (BPA) to cover procurements less than \$25,000. A BPA is a simplified method of filling anticipated repetitive needs for supplies or services by establishing “charge accounts” with qualified sources. A BPA is established when there is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. Those contractors who will be considered for a BPA are those whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases in the past.

An even more proactive approach to obtaining a Government contract is to actively seek contacts within the Government. Typically, each federal building and military installation has an office that is responsible for maintaining that facility or base. As a facility manager, they have input into what maintenance requirements should be satisfied via contract. It can be beneficial for a contractor to identify and contact the

facility manager to describe the product or service that can be provided. If a contractor has a unique product, this is the most effective way to convince the Government that they require such a product and potentially ensuring contract award.

Another option for a contractor to get their “foot in the door” is to contact the contract administrator responsible for a particular facility or installation. For example, contacting the ROICC office should help a contractor understand the process required to receive a construction or service contract, as well as get a sense for the types of products and services currently being provided. Further conversation may indicate when service contracts are up for renewal or new solicitations will be publicized. At the very least the ROICC will direct a contractor to the appropriate point of contact to begin the contracting process.

After a contractor has identified a solicitation that matches their market niche, they must prepare a proposal. The solicitation will identify the scope of work included in the contract that needs to be covered in each bidder’s proposal. If there are questions concerning the scope of work, the solicitation will identify a point of contact to which inquiries can be directed. Responses to questions will be publicized to all bidders. The solicitation will specify or give guidelines for the format of the bid along with the place and time bids are due.

If a certain market is saturated with existing service providers, a contractor may need to take extreme steps to obtain a contract. Purposefully reducing the amount of profit included in a price proposal is not uncommon. Contractors may reduce their profit margin to zero with the hopes of obtaining future Government work once an initial

contract is awarded to them. This method, although risky, may help a contract come in as the low bidder on a solicitation.

Once a contractor has submitted a bid in response to a solicitation, the Contracting Officer will determine whether the contractor is deemed responsive. If the format and content of the bid satisfies all of the terms and conditions contained in the solicitation, then the contractor is determined to be responsive and the bid is accepted. If a contractor is deemed non-responsive, then the bid is rejected and will not be considered for award. The process of determining responsiveness occurs at the time of bid opening.

After the Contracting Officer reviews all of the responsive bids and is ready to award the contract, he or she will determine whether the successful bidder is responsible. To be determined responsible, a prospective contractor must have adequate financial resources to perform the contract, or have the ability to obtain resources. They must be able to comply with the proposed delivery or performance schedule, taking into consideration all existing commercial and Governmental business commitments. A contractor must have a satisfactory performance record, however they will not be determined responsible or not responsible solely on the basis of a lack of relevant performance history. A contractor must have a satisfactory record of integrity and business ethics including compliance with tax laws, labor and employment laws, environmental laws, antitrust laws, and consumer protection laws. They must also have the necessary organization, experience, accounting and operational controls, and technical skills, as well as the necessary production, construction, and technical

equipment and facilities, or have the ability to obtain those skills and equipment. Contractor responsibility is typically determined prior to signing the actual contract documents.

After a contractor has been identified for contract award and deemed responsive and responsible, the Government will prepare the actual contract. Most of the contract has already been formulated through the scope of work and contract requirements detailed in the solicitation and the contractor's proposal. The remainder of the contract documents will include key personnel on the Government side, i.e. the Contracting Officer, Project Manager, and QAE, along with other typical contracting clauses. These clauses include a changes clause, which tells the contractor what constitutes a change to the contract and the procedure to follow to make the change effective. By signing the contract, a contractor is stating that they will perform work resulting in a product identified in the contract documents and the Government is stating that they have obligated money to pay for the contractor's services.

## **5. Bonds and Insurances**

The Miller Act (40 U.S.C. 270a-270f) requires performance and payment bonds for any construction contract exceeding \$100,000. A performance bond secures performance and fulfillment of the contractor's obligations under contract, whereas a payment bond assures payments as required by law to all persons supplying labor or material during performance of the contract. This requirement may be waived by the contracting officer for as much of the work that will be performed in a foreign country if it is found impracticable for the contractor to furnish a bond.

For construction contracts greater than \$25,000, but not greater than \$100,000, the contracting officer will select two or more payment protection devices. Payment devices include a payment bond, irrevocable letter of credit, tripartite escrow agreement, or certificates of deposit. An irrevocable letter of credit is a written commitment by a federally insured financial institution to pay all or part of a stated amount of money. A tripartite escrow agreement is another payment mechanism where the prime contractor establishes an escrow account in a federally insured institution. The prime then enters a tripartite escrow agreement with the financial institution, as escrow agent, and all of the subcontractors and suppliers. The Government makes payments to the contractor's escrow account, and the escrow agent distributes the payments in accordance with the agreement. The final device is certificates of deposit where the contractor submits certificates of deposits from a federally insured institution to the contracting officer. The certificates are executable by the contracting officer.

For construction contracts of any amount greater than \$25,000, the penal amount of bonds, performance or payment, must equal 100 percent of the original contract amount. If the contract price increases, and additional amount equal to 100 percent of the increase is required. The contracting officer may determine that a lesser amount is adequate for the protection of the Government. If a lesser amount has been determined and both types of bonds are required, then the amount of the payment bond must be no less than the amount of the performance bond.

Although there are a wide variety of different insurances and liability policies available to companies, the only liability policies required by the Government, unless otherwise specifically stated in the contract document, are workers' compensation and employer's liability, general liability, and automobile liability. Contractors are required to comply with the applicable Federal and State workers' compensation and occupational disease statutes. If occupational diseases are not included under those statutes, then they shall be covered under the employer's liability section of the insurance policy. At least \$100,000 of employer's liability coverage is required. Bodily injury liability insurance coverage of at least \$500,000 per occurrence is required as part of the general liability policy. Property damage liability insurance will be required as well, but only in special circumstances as determined by the Contracting Officer. Finally, automobile liability insurance is required and must provide for bodily injury and property damage liability covering the operation of all automobiles used in connection with performing the contract. Policies must provide coverage of at least \$200,000 per

person and \$500,000 per occurrence for bodily injury and \$20,000 per occurrence for property damage.

## **6. Labor laws**

It is vital for the Government to maintain sound relations with industry and labor to ensure that information involving labor relations that may adversely affect the Government acquisition process is promptly received and that the Government obtains needed products without delay. There are a number of labor laws and policies that contractors must adhere to when executing a construction contract.

One of the labor policies is the Davis-Bacon Act. The Davis-Bacon Act has an impact on any contract to construct, alter, or repair a public building or public works within the United States in excess of \$2,000. It states that laborers and mechanics employed directly upon the site of the work will not receive less than the prevailing wage rates and fringe benefits as determined by the Secretary of Labor. The wage rates and fringes are specific to each trade and different for each state. A table containing a sample of wage rates and fringes for the District of Columbia is located in Appendix A.

The Copeland (Anti-Kickback) Act was passed in 1934. The "Anti-Kickback" section of the Copeland Act applies to all contractors and subcontractors performing on any federally funded contract for the construction, prosecution, completion or repair of any public building or public work. It precludes a contractor or subcontractor from inducing, by force, intimidation, or threat, an employee to give up any part of the compensation to which he or she is entitled under their employment contract. Furthermore, the Act and associated regulations require a contractor to submit a weekly statement of the wages

paid to each employee. Any contractor found to induce an employee is subject to a \$5,000 fine, or imprisonment for up to five years, or both.

The Walsh-Healey Act of 1936 provides general employment regulations for Federal manufacturing and service contracts in excess of \$10,000. It originally established overtime rates for hours worked in excess of 8 hours per day or 40 hours per week. It also established the minimum wage as the prevailing wage, child and convict labor standards, and safe and sanitary working condition requirements.

The 1965 Service Contract Act applies to Federal contracts for services in excess of \$2,500. It states that service contracts will contain mandatory provisions regarding minimum wages and fringe benefits, safe and sanitary working conditions, notification to employees of the minimum allowable compensation, and equivalent Federal employee classifications and wage rates.

In the event of a labor dispute between labor and contractor management, Federal agencies will remain impartial. Per regulations, they will not take on the role of arbitrator or mediator during labor disputes. However, the individual Federal agencies will ensure that the parties involved in the dispute utilize all available resources to reach resolution, to include the National Labor Relations Board, Federal Mediation and Conciliation Service, National Mediation Board, and other appropriate Federal, State, local, or private agencies.

## **7. Contracting Methods**

When the Government wants to purchase a certain product or service, it can use a variety of contracting methods. Simplified acquisition procedures, sealed bidding, contracting by negotiation and consolidated purchasing vehicles are key contract methodologies used to purchase products and services.

The Federal Acquisition Streamlining Act (FASA) of 1994 simplified Government buying procedures. It removed many competition restrictions on government purchases of less than \$100,000. Instead of full and open competition, agencies can now use simplified procedures for soliciting and evaluating bids up to \$100,000. Government agencies, however, are still required to advertise all planned purchases over \$25,000 in FedBizOpps.

Simplified procedures require fewer administrative details, lower approval levels, and less documentation. New procurement reform legislation requires all federal purchases above \$2,500 but under \$100,000 to be reserved for small businesses, unless the Contracting Officer cannot obtain offers from two or more small businesses that are competitive on price, quality, and delivery.

Government purchases of up to \$2,500 in individual items or multiple items whose aggregate amount does not exceed \$2,500 are now classified as "micro-purchases" and can be made without obtaining competitive quotes. However, these purchases are no

longer reserved for small businesses. Agencies can make micro-purchases using a Government Purchase Card (typical credit card).

Sealed bidding is how the government contracts competitively when its requirements are clear, accurate, and complete. An Invitation For Bid (IFB) is the method used for the sealed bid process. Typically, an IFB includes a description of the product or service to be acquired, instructions for preparing a bid, the conditions for purchase, packaging, delivery, shipping and payment, contract clauses to be included, and the deadline for submitting bids. Each sealed bid is opened in public at the purchasing office at the time designated in the invitation. All bids are read aloud and recorded. A contract is then awarded by the agency to the low bidder who is determined to be responsive to the Government's needs.

In certain cases, when the value of a government contract exceeds \$100,000 and when it requires a highly technical product or service, the Government may issue a Request for Proposal (RFP). In a typical RFP, the Government will request a product or service it needs, and solicit proposals from prospective contractors on how they intend to carry out that request, and at what price. Proposals in response to an RFP can be subject to negotiation after they have been submitted.

When the Government is merely checking into the possibility of acquiring a product or service, it may issue a Request for Quotation (RFQ). A response to an RFQ by a prospective contractor is not considered an offer, and consequently, cannot be accepted by the Government to form a binding contract. The order is an offer by the Government to the supplier to buy certain supplies or services upon specified terms and

conditions. A contract is established when a supplier accepts the offer. In most instances, the Government uses oral solicitations for purchases less than \$25,000, written solicitations for purchases over \$25,000, and purchase cards to obtain micro-purchases less than \$2,500.

One of the most significant changes in Government acquisition is the increased importance of "best value." Best value means that, rather than making awards to the lowest bidder as it generally did in the past, the Government can now make awards for the item that best satisfies its requirements at a slightly higher price. If acquisition professionals are going to make an award based on best value, they must state their intent in the solicitation document and include a description of the evaluation criteria, award factors, and factors other than the price that will be considered in making a contract award.

Most Government agencies have common purchasing needs, such as carpeting, furniture, office machine maintenance, petroleum products and perishable food supplies. Sometimes the Government can realize economies of scale by centralizing the purchasing of certain types of products or services. Procurement reform has developed numerous new and/or modified acquisition vehicles, such as multi-agency contracts and government-wide acquisition contracts (GWACs), to encourage long-term vendor agreements with fewer vendors. The use of these contract vehicles, including expanded use of GSA schedules, has increased significantly during the last few years. These popular vehicles allow Government buyers to quickly fill requirements by issuing orders against existing contracts or schedules without starting a new procurement

action from scratch. Furthermore, agencies can competitively award several or multiple task order contracts to different firms for the same products and services. This practice allows Federal buyers to issue orders to any one or combination of several firms with relative ease.

## **8. Socioeconomic Programs**

“Setting aside” a portion of Federal acquisition transactions for small businesses is used to support an important sector of the economy. Typically, a small business may not be able to compete with larger businesses in the same market sector. Overhead costs are often higher for small businesses, reflecting in a higher unit price for work, services, or products to be provided. In order to ensure that this important sector of the economy receives a share of the Federal acquisition dollars, Congress has established a set-aside program that requires Government agencies to restrict competition on certain acquisitions to small businesses only.

By law, Federal agencies are required to establish contracting goals, such that 23% of all government transactions are intended to go to small businesses. In addition, contract goals are established for women-owned businesses, small disadvantaged businesses, firms located in HUB Zones and service disabled veteran-owned businesses. These government-wide goals are 5%, 5%, 3% and 3%, respectively. They are important because Federal agencies have a statutory obligation to reach-out and consider small businesses for procurement opportunities.

An organization, Small Business Administration (SBA) was developed to help meet these target goals. The SBA’s mission is to stimulate and foster economic development by helping new businesses get started and established firms grow. While small businesses often face considerable hurdles when trying to win federal contracts, the SBA can help overcome these barriers. The SBA works closely with other Federal

agencies and the nation's leading federal contractors to ensure that small businesses obtain a fair share of government contracts and subcontracts. The SBA has established local offices in large metropolitan areas to help facilitate this process. For example Joseph P. Loddo, the District Director, of the Washington Metropolitan Area District Office is responsible for delivery of SBA programs in the District of Columbia, Prince George's and Montgomery counties in Maryland, and the cities of Arlington, Alexandria, Fairfax and Falls Church and the counties of Arlington, Fairfax and Loudoun in northern Virginia.

SBA's size standards define whether a business entity is small and, thus, eligible for Government programs and preferences reserved for "small business" concerns. Size standards have been established for types of industry under the North American Industry Classification System (NAICS). The Small Business Act states that a small business concern is "one that is independently owned and operated and which is not dominant in its field of operation." The law also states that in determining what constitutes a small business, the definition will vary from industry to industry to reflect industry differences accurately. Appendix C is a table of SBA size standards for the construction industry.

A small disadvantaged business is defined as a firm that is 51% or more owned, controlled, and operated by a person(s) who is socially and economically disadvantaged. African Americans, Hispanic Americans, Asian Pacific Americans, Subcontinent Asian Americans, and Native Americans are presumed to qualify. Other

individuals can qualify if they show by a "preponderance of the evidence" that they are disadvantaged.

A woman-owned business is defined as a business that is owned and controlled 51% or more by a woman or women. Currently, a woman-owned certification process is not required for federal contracts. When submitting a proposal, a company can simply self-certify by indicating in the proposal that they are a woman-owned business.

A veteran-owned business is defined as a business that is owned 51% by a veteran(s). Similar to woman-owned businesses, there is no veteran-owned certification process to complete. A company is allowed to indicate as such in the proposal. Furthermore, a service-disabled business is defined as a business that is owned 51% by one or more service-disabled veterans. The Veterans Administration must confirm disability.

The Small Business Administration's HUB Zone Program is designed to promote economic development and employment growth in distressed areas by providing access to more federal contracting opportunities. HUB Zone is defined as a "Historically Underutilized Business Zone". Certified small business firms will have the opportunity to negotiate contracts and to participate in restricted competition limited to HUB Zone firms.

Subcontracting or teaming with a prime contractor can be a profitable experience as well as a growth opportunity for a newly formed small business. If, after assessing the

capabilities and capacity of its business, a company concludes that it is not ready to bid competitively for prime contracts, its owners should consider the opportunities available through subcontracting. The experience gained from performing as a subcontractor can assist them in responding to solicitations as a prime contractor. Subcontracting, however, should not be viewed only as an opportunity for less-experienced business, but also as a vehicle to enhance qualifications to become more competitive to perform as a prime contractor.

Over the years, several laws have been passed regarding subcontracting to small business. These laws require prime contractors having contracts that exceed the simplified acquisition threshold to provide maximum practicable subcontracting opportunities to small businesses, HUB Zone small businesses, small disadvantaged businesses, and women-owned small businesses. The clause "Utilization of Small Business Concerns," must be included in all Federal contracts exceeding this threshold.

These laws, among other things, require that on contracts more than \$500,000 (or \$1,000,000 for construction of a public facility) large contractors and subcontractors submit subcontracting plans containing specific percentage goals for small businesses, HUB Zone small businesses, small disadvantaged businesses, and women-owned small businesses. The subcontracting plan must contain a description of the methods and efforts used to assure that small business enterprises have an equitable opportunity to compete for subcontracts. Also, the plans must be submitted by contractors for review by the Contracting Officer prior to the award of any contract. Failure to comply in good faith with its approved plan may subject the contractor to liquidated damages or

termination for default. The requirement to submit a subcontracting plan does not apply to small businesses, contracts under the above-prescribed dollar amounts, prime contracts not offering subcontracting possibilities, or contracts to be performed entirely outside the United States.

## Conclusion

There are many opportunities to excel within the Federal acquisition system. Contractors must strategically position themselves in the proper industry to reap the benefits associated with Government contracting. Understanding the process to become eligible to receive contracts is essential. There are a number of avenues available, both official and unofficial, by which a contractor can get started on the process, but being proactive will help to “get a foot in the door.” Knowledge of special programs, bonding requirements, and impacting labor laws will increase the probability of a contractor being awarded a contract.

Once the contract has been awarded and a contractor is executing the project, it is important that the company perform well to increase chances of future Government work. One of the most important aspects is to make a good first impression. Hosting a partnering session or simply sitting down with the appropriate Government representatives will go a long way towards developing a lasting, working relationship. A contractor will frequently receive repeat business if they show that they understand the Government’s needs. Projects are typically more successful when there is a sense of teamwork between the contractor and Government vice an adversarial relationship.

Of course the contractor needs to perform on a project to ensure future business as well. If a contractor is a good performer then they will receive a positive performance evaluation. Prior performance evaluations are a significant factor when the Government

is awarding a contract. A successful contractor is open and honest. In situations of uncertainty, it is important for the contractor to bring those uncertainties to the Government's attention. The contractor will make a good impression if they also bring a plan to mitigate those uncertainties as well. Trying to hide or avoid a problem will only make it worse. If problems are constantly ignored then project completion may be risked along with potential termination. If the Government sees that a contractor is making a concerted effort to meet their requirements, then they will help facilitate any problems or processes to assist the contractor in completing the work.

For each contractor that is successful in obtaining a Government contract, there are at least two unsuccessful contractors. With \$600 billion in Government contracts signed each year, this equates to a market saturated with contractors. In order to be successful contractors must follow the process to be considered and position themselves for award.

## Appendix A – FedBizOpps Solicitation Example



### General Information

Document Type: Presolicitation Notice  
Solicitation Number: N40080-05-C-0162  
Posted Date: Jun 08, 2005  
Original Response Date:  
Current Response Date:  
Original Archive Date:  
Current Archive Date:  
Classification Code: Y -- Construction of structures and facilities  
Naics Code: 236220 -- Commercial and Institutional Building Construction

### Contracting Office Address

Department of the Navy, Naval Facilities Engineering Command, NAVFAC Washington, 1314 Harwood Street Washington Navy Yard, Washington, DC, 20374-5018

### Description

This project will be procured by means of a request for proposal for a competitively negotiated, firm fixed price contract, for the construction of a one story, steel framed, brick and block building with a standing seam metal roof. The building will be fully sprinklered. Finishes include painted drywall, carpet, VCT and acoustical tile. Mechanical HVAC, Plumbing, electrical, sitework and incidental related work are also included. The site is essentially flat. Total floor area is approximately 5,420 square feet. This is essentially an administrative building to be used for family consultations. It will

include the usual service functions and mechanical systems but will not contain clinical spaces. The building shares a common vestibule with the adjoining Family Support Center. Anti- Terrorist Force Protection (ATFP) considerations require an essentially triangular building footprint with attendant slight inefficiencies in space usage. The awardee will be responsible for providing all labor, supervision, engineering, materials, equipment, tools, parts, supplies and transportation required to perform all of the services described in the specifications for the contract. The APPROXIMATE Solicitation release date is 23 June 2005. The estimated price range is between \$1,000,000 and \$5,000,000. THIS PROJECT IS UNRESTRICTED. All documents will be available in electronic format only utilizing the ADOBE Acrobat (.pdf) file format via the Internet. The free Acrobat Reader, required to view the documents may be downloaded free from the Adobe website. The official access to the solicitation is via the Internet at <http://www.esol.navfac.navy.mil>. Contractors are encouraged to register for the solicitation when downloading from the NAVFAC E-Solicitations website. Only registered contractors will be notified by E-Mail when Amendments to the Solicitation are issued. In accordance with DFAR 252.204-7004, REQUIRED CENTRAL CONTRACTOR REGISTRATION, offerors MUST be registered in the Central Contractor Registration (CCR) database in order to take part in this procurement. Offerors and interested parties may obtain information regarding registration and annual confirmation requirements by calling 1-888-227-2423 or via the Internet at <http://www.ccr.gov>.

### **Point of Contact**

David Dickens, Contract Specialist, Phone 202-685-3191, Fax 202-685-8236, Email [David.Dickens@navy.mil](mailto:David.Dickens@navy.mil) - Christine Owens, Contracting Officer, Phone 202-685-3094, Fax 202-433-6900, Email [christine.owens@navy.mil](mailto:christine.owens@navy.mil)

### **Place of Performance**

Address: Andrews Air Force Base, Camp Spring Maryland  
Country: USA

## Appendix B – Wage Rates and Fringes Table

<b>Wage Rates and Fringes Table (District of Columbia)</b>		
<b>Trade</b>	<b>Hourly Wage Rate</b>	<b>Hourly Fringe Benefits</b>
Asbestos Worker/Insulator	\$25.10	\$11.91
Bricklayer	\$25.00	\$6.09
Carpenter	\$22.89	\$5.39
Cement Mason	\$23.73	\$4.95
Crane Operator	\$24.74	\$5.62
Electrician	\$30.15	\$9.90
Forklift Operator	\$17.00	\$5.62
Ironworker	\$24.00	\$8.98
Laborer (Skilled)	\$18.03	\$3.12
Laborer (Unskilled)	\$11.83	\$2.23
Marble & Stone Mason	\$28.72	\$10.55
Painter	\$21.31	\$7.06
Plumber	\$29.52	\$10.89
Sheet Metal Worker	\$29.18	\$10.51

## Appendix C – Small Business Size Standards

**Table of Small Business Size Standards (Construction)**

NAICS U.S. Industry Categories	Size Standards (millions of dollars)
<b>Construction of Buildings</b>	
New Single-Family Housing Construction (except Operative Builders)	\$28.50
New Multifamily Housing Construction (except Operative Builders)	\$28.50
New Housing Operative Builders	\$28.50
Residential Remodelers	\$28.50
Industrial Building Construction	\$28.50
Commercial and Institutional Building Construction	\$28.50
<b>Heavy and Civil Engineering Construction</b>	
Water and Sewer Line and Related Structures Construction	\$28.50
Oil and Gas Pipeline and Related Structures Construction	\$28.50
Power and Communication Line and Related Structures Construction	\$28.50
Land Subdivision	\$6.00
Highway, Street, and Bridge Construction	\$28.50
Other Heavy and Civil Engineering Construction	\$28.50
Dredging and Surface Cleanup Activities2	\$17.02
<b>Specialty Trade Contractors</b>	
Poured Concrete Foundation and Structure Contractors	\$12.00
Structural Steel and Precast Concrete Contractors	\$12.00
Framing Contractors	\$12.00
Masonry Contractors	\$12.00
Glass and Glazing Contractors	\$12.00
Roofing Contractors	\$12.00
Siding Contractors	\$12.00
Other Foundation, Structure, and Building Exterior Contractors	\$12.00
Electrical Contractors	\$12.00
Plumbing, Heating, and Air-Conditioning Contractors	\$12.00
Other Building Equipment Contractors	\$12.00
Drywall and Insulation Contractors	\$12.00
Painting and Wall Covering Contractors	\$12.00
Flooring Contractors	\$12.00
Tile and Terrazzo Contractors	\$12.00
Finish Carpentry Contractors	\$12.00
Other Building Finishing Contractors	\$12.00
Site Preparation Contractors	\$12.00
All Other Specialty Trade Contractors	\$12.00
Building and Property Specialty Trade Services	\$12.01

## References

Defense Federal Acquisition Regulation. Chicago: CCH Incorporated, 2001.

Federal Acquisition Regulation. Chicago: CCH Incorporated, 2001.

Federal Business Opportunities. 2005. General Services Administration.  
<<http://www.fedbizopps.gov>>.

Government Contracting. March 18, 2005. United States Small Business Administration. <[http://www.sba.gov/GC](http://www.sba.gov/GC/)>.

The Official Business Link to the U.S. Government. 2005. United States Small Business Administration. <<http://www.business.gov>>.

U.S. Department of Labor in the 21<sup>st</sup> Century. 2005. Department of Labor.  
<<http://www.dol.gov>>.

Your Source For Acquisition Information. 2005. General Services Administration.  
<<http://www.arnet.gov>>.